



# WEEKLY ECONOMIC DIGEST



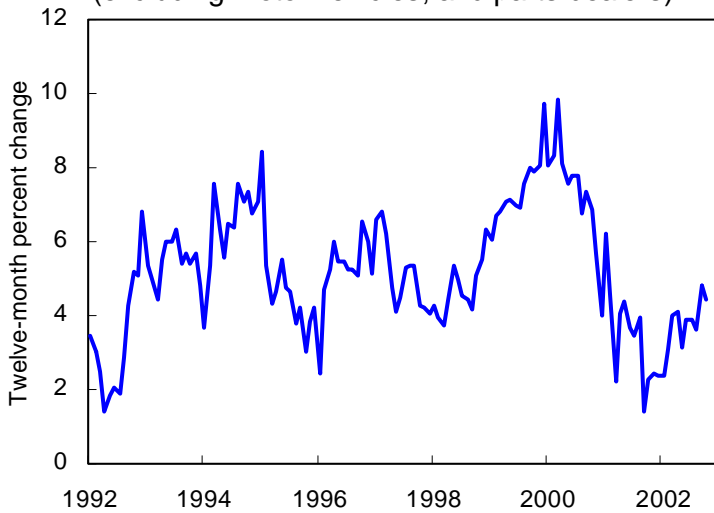
JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

November 19, 2002

## Consumers Keep Spending - But Not on Cars

Retail and Food Service Sales

(excluding motor vehicles, and parts dealers)

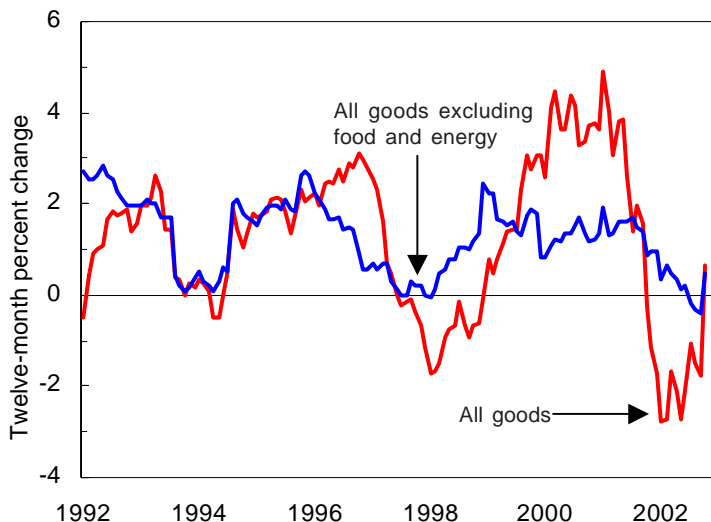


Source: Bureau of the Census, U.S. Department of Commerce.

- **Non-automotive sales were stronger than expected in October.** Retail sales excluding motor vehicles and parts grew by 0.7 percent, and are now 4.5 percent above last October's mark. October's growth was about twice as much as financial markets had expected. However, automotive dealers reported a sharp drop in sales for the second month in a row after the removal of generous financing incentives that fueled a buying spree this summer. The declines in automotive sales, which were widely anticipated, left total sales flat last month.

- **Industrial production fell last month.** Industrial output fell 0.8 percent in October, the third consecutive monthly decline and the largest drop since September 2001. About half of that decline reflected a sharp drop in motor vehicle production. Output of defense and space equipment, in contrast, rose 0.9 percent to 6.6 percent above the level of twelve months ago.

Producer Price Index



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Special factors spurred inflation in core producer prices.** The core producer price index (which excludes food and energy prices) surged by 0.5 percent in October, the sharpest monthly increase in nearly three years. Less aggressive financing incentives by automotive dealers led to sharp rises in producer prices for passenger cars and light trucks. Gasoline and food prices also rose sharply, pushing the overall producer price index up by a hefty 1.1 percent last month. Nevertheless, producer price inflation over the past year remains low.

- **Initial jobless claims fell, but continuing claims remain high.** Over the four weeks ending with the first week of this month, the average number of new claims for unemployment insurance averaged fell to 396,750. Ongoing claims, however, rose to 2.9 percent of covered employment.

<b>Economy At A Glance</b>	Dec	Oct	Sep	Aug	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2001 Qtr 4	2001	2000
<b>Economic Activity</b>										
Real GDP (% growth)					4.0	1.3	5.0	2.7	0.3	3.8
Industrial Production (% growth)		-9.2	-2.4	-2.4	3.5	4.2	2.6	-6.7	-3.9	4.5
Capacity Utilization (Level, %)		75.2	75.8	76.1	76.1	75.6	75.0	74.7	76.8	81.8
Civilian Unemployment Rate (Level, %)		5.7	5.6	5.7	5.7	5.9	5.6	5.6	4.8	4.0
Housing Starts (Thousands)		1603	1810	1631	1698	1667	1725	1573	1603	1573
Real Disposable Personal Income (% growth)			3.7	1.2	2.7	3.6	14.5	-7.7	1.8	4.8
Retail Sales (% growth)		0.0	-14.5	6.2	6.7	4.3	-2.9	13.1	3.8	6.7
Personal Saving Rate (Level, %)			4.2	3.4	3.7	4.0	3.5	0.8	2.3	2.8
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)		3.7	2.4	3.7	1.9	3.4	1.4	-0.3	2.8	3.4
Core CPI-U Inflation (% growth)		2.4	1.2	3.7	2.0	2.2	2.3	2.7	2.7	2.4
Compensation per Hour (% growth)					2.4	4.5	3.6	4.1	4.1	4.5
Output per Hour (% growth)					4.0	1.7	8.6	7.3	1.1	2.9
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)		1.6	1.6	1.6	1.6	1.7	1.7	1.9	3.4	5.8
T-Note Rate, 10-years (Level, %)		3.9	3.9	4.3	4.3	5.1	5.1	4.8	5.0	6.0
Federal Funds Rate (Level, %)		1.8	1.8	1.7	1.7	1.8	1.7	2.1	3.9	6.2
Dow Jones Industrial Avg (Index level)		8048	8161	8685	8488	9913	10105	9641	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Subject to revision this week.

#### Upcoming Economic Releases:

- **Consumer Price Index, October** [Release: Tuesday, November 19]
- **International Trade in Goods and Services, September** [Release: Tuesday, November 19]
- **New Residential Construction, October** [Release: Wednesday, November 20]
- **Existing Home Sales, October** [Release: Monday, November 25]